



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/21/2007

GAIN Report Number: CA7059

Canada

Fresh Deciduous Fruit

Annual

2007

Approved by:

Lisa Anderson

Office of Agricultural Affairs, U.S. Embassy

Prepared by:

George Myles

Report Highlights:

The 2007 Canadian fresh apple crop is up significantly (13.2%) over last year and is estimated to reach 385,000 metric tons (MT). Canadian fresh pear production in 2007 is forecast to be sharply lower reflecting drought-like conditions during the growing season in Ontario. Post estimates total Canadian pear output to fall to about 9,500 MT, 23% below the 2006 level of 12,403 MT. Canadian imports of U.S. fresh apples in MY2006/07 reached a record 139,643 MT, up 16% from 120,558 MT during the previous year.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Ottawa [CA1]
[CA]

Table of Contents

Executive Summary	3
Section I. Situation and Outlook.....	4
Apples.....	4
Bearing Area.....	4
Top Varieties.....	4
Declining Apple Production	5
Pears	6
Bearing Area.....	6
Section II. Trade	7
Apple Trade.....	7
Historical Imports and Competition for Import Market Share	8
Apple Exports	9
Declining Apple Exports	10
Pear Trade.....	11
Pear Imports	11
Pear Exports.....	11
Section III. Consumption.....	11
Prices.....	12
Apple Storage Holdings.....	12
Section IV. Policy and Industry Developments	12
Orchard Replant Programs	12
Federal/Provincial Cost Share Program to Assist Tree Fruits and Grapes in B.C.	13
No Active Pursuit of Trade Action	13

Executive Summary

- * Canadian apple growers anticipate a significant increase in the 2007 apple crop over last year's relatively poor outturn. Post estimates 2007 fresh apple production to reach about 385,000 metric tons (MT), 13.2% above the 2006 level.
- * Canadian fresh pear production in 2007 is forecast to be sharply lower reflecting drought-like conditions during the growing season in the important pear growing regions of Ontario. Post estimates total Canadian pear output to fall to about 9,500 MT, 23% below the 2006 level of 12,403 MT.
- * Despite the higher yields associated with the 2007 crop, the trend to lower apple production in Canada continues. The industry is wrestling with higher costs of production, urban pressure on orchard land, increasing domestic market demand for imported apples, and the declining competitiveness of Canadian fresh apples in world markets.
- * Canada is the No. 2 market for U.S. fresh apple exports. Canadian imports of U.S. fresh apple in MY2006/07 reached a record 139,643 MT, up 16% from 120,558 MT during the previous year. The value of U.S. apple exports to Canada in MY2006/07 exceeded \$127 million.
- * During the past ten years, the U.S. share of the Canadian import market for fresh apples remained almost constant at slightly under 80%. In recent years, Chile and China have increased their share of the import market but mostly at the expense of product from South Africa and New Zealand.
- * Canadian fresh apple exports recorded their sharpest decline ever during MY2006/07, falling 32% to 36,850 MT. Prospects for the current year aren't much better given the recent rapid rise in the value of the Canadian dollar that is expected to further challenge the competitiveness of Canadian fresh apples in foreign markets.
- * There is modest growth in the Canadian fresh pear import market, the No. 2 export market for U.S. fresh pears after Mexico. However, there is increased competition from Argentina and China. In the five years ending MY2006/07, Argentina's share of the Canadian import market for fresh pears rises from 17% to 20%, China's from 12% to 17%. The U.S. share slipped from 57% in 2002/03 to 53% in 2006/07.
- * According to Canadian apple industry organizations, there is no active pursuit of trade action against U.S. fresh apples. However, low profitability and increasing market demand for imported apples tend to keep the issue of trade safeguard action close to the forefront among Canadian apple growers. Canada has not had a trade action against U.S. apples since 2000 when the Canadian International Trade Tribunal rescinded the anti-dumping duties on U.S. Red Delicious apples that had been in effect since 1989.

Section I. Situation and Outlook

Apples

Preliminary information from industry points to significantly increased production from the 2007 apple crop. Post estimates the total Canadian output of fresh apples to reach about 385,000 MT, up 13.2% from the relatively poor outturn of the 2006 crop (340,183 MT). Weather conditions were improved throughout the 2007 growing season for the major apple growing regions but particularly in Ontario, the largest apple-producing province, and in Quebec where apple orchard yields are reportedly well above last year.

Bearing Area

According to Statistics Canada data, the apple bearing area during 2007 fell to 17,227 hectares, a 1.2% decline from the previous year and the smallest rate of decline in five years. Changing cultural practices include higher density plantings, but the trend to declining apple area also reflects urban pressure on orchard land, higher costs of production, and the struggle by Canada's apple industry to increase, or just maintain, fresh apple exports. In addition, smaller producers are exiting the industry and despite an orchard replant in British Columbia (see Section IV), apple orchards in that province continue to be replaced with vines for grape wine production and other crops.

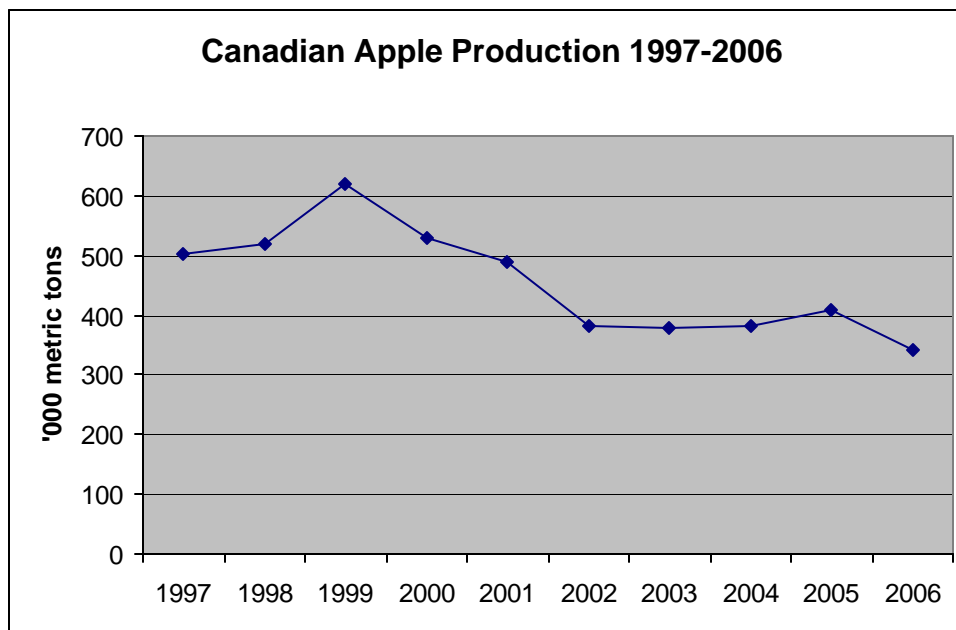
Top Varieties

The top five apple varieties in Canada (estimated percentage of the anticipated 2007 crop in parenthesis) are McIntosh (35%), Gala (10%), Red Delicious (9%), Empire (9%), and Spartan (7%), and Idared (6%).

Commodity	Apples, Fresh			(HA)(1000 TREES)(MT)					
	2005	Revised		2006	Estimate		2007	Forecast	
			Post			Post			Post
	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007
Area Planted	22116	22116	21586	21675	21675	20271	0	0	20095
Area Harvested	19613	19613	19087	18406	18406	17438	0	0	17227
Bearing Trees	0	0	0	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	394115	394115	408630	360000	360000	340183	0	0	385000
Non-Comm. Production	0	0	0	0	0	0	0	0	0
Production	394115	394115	408630	360000	360000	340183	0	0	385000
Imports	151215	151215	151336	160000	160000	178299	0	0	180000
Total Supply	545330	545330	559966	520000	520000	518482	0	0	565000
Fresh Dom. Consumpt.	395749	395749	400373	385000	385000	396632	0	0	407000
Exports, Fresh	54581	54581	54593	50000	50000	36850	0	0	38000
For Processing	95000	95000	105000	85000	85000	85000	0	0	120000
Withdrawal From Mrkt.	0	0	0	0	0	0	0	0	0
Total Distribution	545330	545330	559966	520000	520000	518482	0	0	565000

Declining Apple Production

The chart below illustrates the decline in Canadian apple production during the ten-year period 1997-2006.



Pears

The outlook for the 2007 Canadian fresh pear crop is for lower production. Ontario pear area, which accounts for the major share of production, suffered severe drought during critical fruit growth stages during the summer period. As a result, post forecasts total fresh pear output in Canada to fall to about 9,500 MT, down 23% from the 2006 revised crop level of 12,403 MT.

Bearing Area

Similar to apples, pear-bearing area has been in decline for several years. For 2007, the rate of decline eased with Statistics Canada reporting the total bearing area at 1,014 hectares, down only 1% from 1,024 hectares in 2006. However, the 2007 bearing area is 20% below the level five years earlier, or 1,261 hectares in 2003.

Commodity	Pears, Fresh						(HA)(1000 TREES)(MT)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Post
	Official	Estimate	Estimate	Official	Estimate	Estimate	Official	Estimate	Estimate
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007
Area Planted	1376	1376	1356	1240	1240	1115	0	0	1109
Area Harvested	1089	1089	1068	1081	1081	1024	0	0	1014
Bearing Trees	0	0	0	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	10714	10714	10714	12500	12500	12403	0	0	9500
Non-Comm. Production	0	0	0	0	0	0	0	0	0
Production	10714	10714	10714	12500	12500	12403	0	0	9500
Imports	74410	74410	74312	75000	75000	76657	0	0	78000
Total Supply	85124	85124	85026	87500	87500	89060	0	0	87500
Fresh Dom. Consum.	77613	77613	77515	80980	80980	82498	0	0	83450
Exports, Fresh	11	11	11	20	20	62	0	0	50
For Processing	7500	7500	7500	6500	6500	6500	0	0	4000
Withdrawal From Mrkt.	0	0	0	0	0	0	0	0	0
Total Distribution	85124	85124	85026	87500	87500	89060	0	0	87500

Section II. Trade

Apple Trade

Canadian apple imports during MY2006/07 (July /June) reached a record 178,299 MT, an 18% increase from 151,336 imported during the previous year. The increase was partly due to reduced Canadian apple production from the relatively low production level of the 2006 crop and increased demand for imported apples. Fresh apple imports from the United States in MY2006/07 increased 16% to 139,643 MT from 120,558 MT a year earlier. In value terms, imports from the U.S. soared to \$127.1 million in MY2006/07 from \$91.8 million during MY2005/06, an increase of more than 38%. After Mexico, Canada is second most important market for U.S. fresh apple exports.

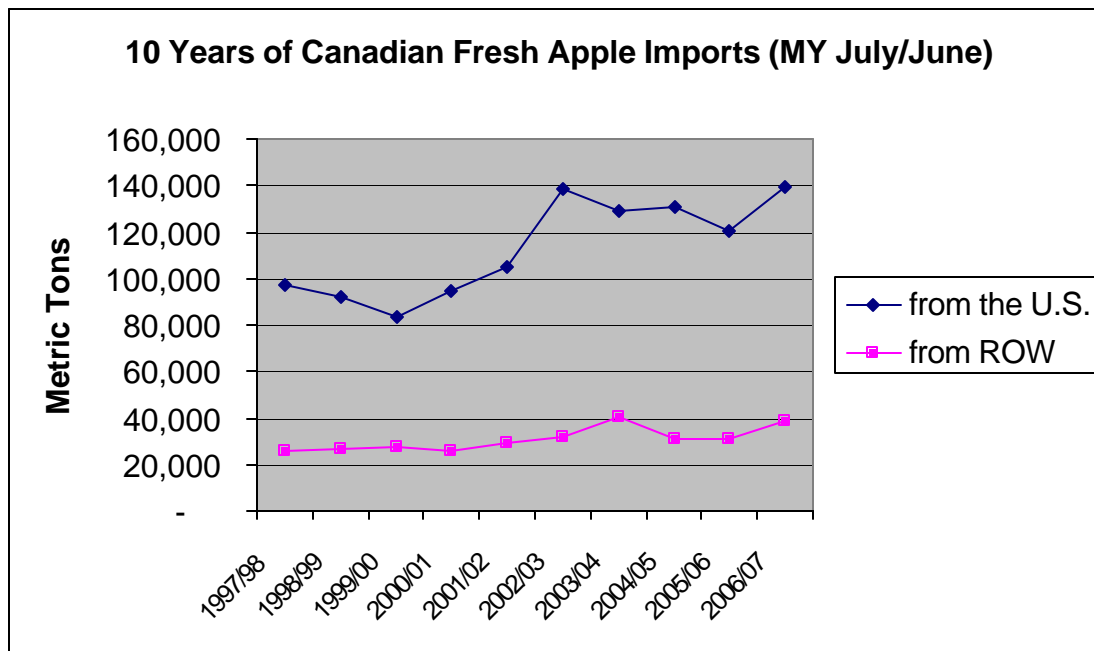
Canada - Imports -Total-
080810 Apples, Fresh
Quantity: metric tons

Country	Jul 04-Jun 05	Jul 05-Jun 06	Jul 06-Jun 07	% change
The World	161,823	151,336	178,299	18%
United States	130,439	120,558	139,643	16%
Chile	15,815	15,665	21,195	35%
New Zealand	7,025	7,964	7,481	-6%
China	3,601	3,428	5,832	70%
South Africa	4,385	3,424	2,958	-14%
Argentina	152	164	947	476%
Italy	61	-	127	-
All Others	345	133	116	-12%

Source: World Trade Atlas

Historical Imports and Competition for Import Market Share

The graph below illustrates Canadian fresh apple imports from the United States and from the Rest of the World (ROW) during the period MY1997/08 to MY2006/07. During the period, the U.S. share of the Canadian import market for fresh apples remained almost constant at slightly under 80%. In recent years, Chile and China have increased their penetration of the import market share but mostly at the expense of product from South Africa and New Zealand. In MY2006/07, Chile accounted for 12% of total Canadian fresh apple imports while China accounted for 3%.



Apple Exports

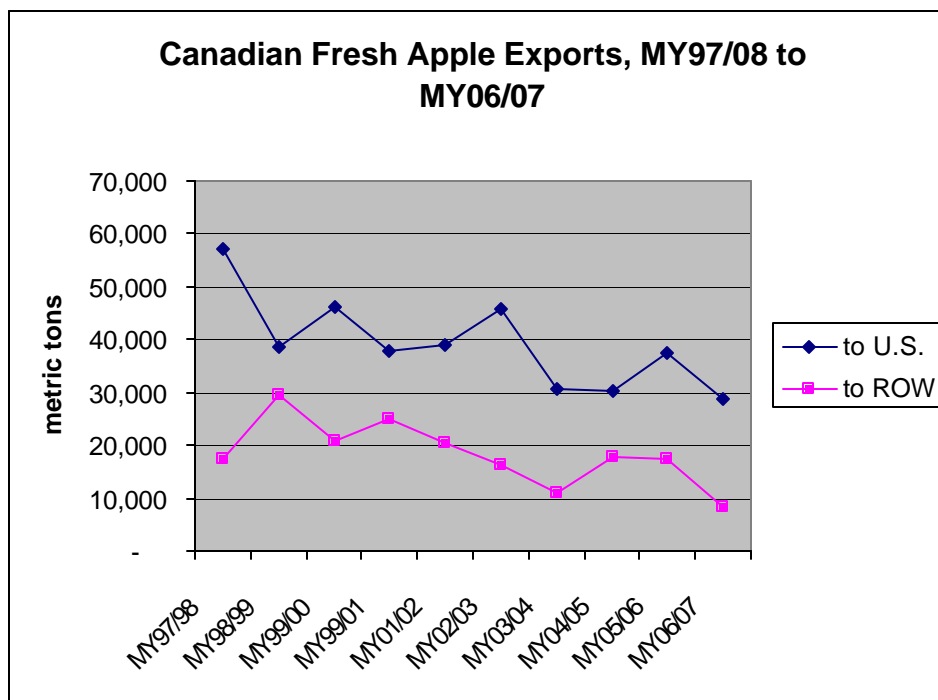
The affects of a reduced apple crop in 2006 and the struggle to compete in world apple markets reduced total Canadian apple exports to a record low level. In MY2006/07 Canadian fresh apple exports fell 32% to 36,850 MT from 54,593 MT a year earlier and the decline was across all traditional markets. Export prospects for the current year aren't much better given the recent rapid rise in the value of the Canadian dollar that is expected to further challenge the competitiveness of Canadian fresh apples in foreign markets.

Canada - Exports -Domestic- 080810 Apples, Fresh Quantity: metric tons

				% change
Country	Jul 04-Jun 05	Jul 05-Jun 06	Jul 06-Jun 07	
The World	48,147	54,593	36,850	-32%
United States	30,315	37,374	28,580	-24%
Mexico	4,879	6,593	2,926	-56%
United Kingdom	5,388	4,970	2,337	-53%
Taiwan	4,281	705	567	-20%
Costa Rica	669	1,141	508	-55%
Iceland	295	393	479	22%
Honduras	419	999	299	-70%
Saudi Arabia	104	-	268	-
Dominican Republic	146	1,387	253	-82%
Trinidad & Tobago	104	151	245	63%
Hong Kong	-	16	168	926%
All Others	1,547	864	221	-74%

Declining Apple Exports

The following chart illustrates the continuing decline in Canadian fresh apple exports during the ten years ending MY2006/07. The average annual growth rate for Canadian apple exports over the ten-year time period was -7%.



Pear Trade

Pear Imports

There is modest growth in the Canadian fresh pear import market, the No. 2 export market for U.S. fresh pears after Mexico. However, there is also increased competition from Argentina and China. In the five years ending MY2006/07, Argentina's share of the Canadian import market for fresh pears rises from 17% to 20%, China's from 12% to 17%. The U.S. share slipped from 57% in 2002/03 to 53% in 2006/07.

**Canada - Imports -Total-
080820 Pears And Quinces, Fresh
Quantity: metric tons**

Country	Jul 04-Jun 05	Jul 05-Jun 06	Jul 06-Jun 07	% change
The World	71,108	74,312	76,657	3%
United States	42,562	41,741	40,495	-3%
Argentina	14,226	12,621	14,968	19%
China	3,849	10,456	12,810	23%
South Africa	3,157	2,335	2,933	26%
Chile	2,997	2,765	2,459	-11%
Portugal	748	744	957	29%
Australia	1,746	2,143	952	-56%
Italy	775	612	505	-17%
Korea, South	719	586	256	-56%
New Zealand	190	164	231	42%
Antigua & Barbuda	8	6	49	757%
Japan	79	62	15	-75%
All Others	52	79	25	-68%

Source: World Trade Atlas

Pear Exports

Exports of Canadian fresh pears are insignificant.

Section III. Consumption

Statistics Canada tracks per capita fresh apple consumption on a calendar year basis. The most recent data availability is for 2006. The following table lists consumption in kilograms per person, retail weight. Canadian apple consumption is flat due to a number of factors including immigrant populations from countries where per capita consumption of fresh apples is low and the wide availability to Canadian consumers of competing fruits in large, modern retail grocery outlets. For fresh pears, Statistics Canada notes that 2006 marked the first increase in per capita consumption in the past three years, but the trend to declining disappearance continues.

Canada: Per Capita Consumption of Fresh Apples and Pears

Units: kg per person (retail weight)

Year	Apples	Pears
2000	10.80	2.40
2001	11.41	2.46
2002	10.53	2.49
2003	10.66	2.53
2004	10.03	2.23
2005	11.13	2.22
2006	10.54	2.38

Statistics Canada; Canada Food Stats, June 2007

Prices

Weekly fresh apple and pear prices on major Canadian wholesale markets and daily market prices for Toronto and Montreal are available electronically at Agriculture and Agri-Food Canada's (AAFC) InfoHort website at:

<http://www3.agr.gc.ca/apps/infhort/index.cfm?action=dspDlySlctn&lang=eng>

Apple Storage Holdings

Agriculture and Agri-Food Canada reports that total Canadian apple storage holdings on July 1, 2007 were 22,612 metric tons, 11.6% below the year earlier level of 25,659 metric tons. British Columbia and Ontario accounted for most of the decline. Storage holdings in Quebec were 7% higher than a year ago on that date. Agriculture and Agri-Food Canada reports the quantity and type of apples in storage in Canada, by province. To view this data, visit the following AAFC horticultural information web link at:

<http://www3.agr.gc.ca/apps/infhort/index.cfm?action=dspApplDsc&lang=eng>

Section IV. Policy and Industry Developments**Orchard Replant Programs**

Currently, British Columbia, Nova Scotia, and Quebec have orchard replant programs (see CA5063). The B.C. program was scheduled to expire in 2007 but has been extended for an additional year without additional funding (i.e., applications are not as numerous as originally predicted). Also, both apple and pear area in B.C. has declined in recent years suggesting that the program is not arresting the decline in area for these crops. Ontario, Canada's most important largest apple producing province, does not have a replant program but the Ontario Apple Growers Association continues to lobby for a government-assisted program that it feels would revitalize the industry. The Canadian Horticultural Council, a national growers' association representing producers of fruit, vegetables, flowers and ornamental plants, envisioned a national C\$100 million replant program two years ago that

would involve a financial partnership between federal and provincial governments and apple growers, but the proposal has not progressed.

Federal/Provincial Cost Share Program to Assist Tree Fruits and Grapes in B.C.

In July 2007, the federal government and the province of British Columbia (B.C.) announced a jointly funded C\$8 million (C\$5 million federal, C\$3 million provincial) program to provide for the removal and renewal of plant stock and the development of strategic regional plans. The money is targeted at B.C.'s tree fruit and grape industries to help them adapt to changing markets and the program is designed, according to the official joint press release, to assist the sector in addressing mounting pressures from declining prices and demand, and increasing import supply. "Canada's New Government recognizes the growing market pressures the tree fruit and grape industries are under," said the (then) Honorable Chuck Strahl, Minister of Agriculture and Agri-Food. "We are pleased to be working with the Province of British Columbia in supporting the long-term success of B.C.'s orchards and vineyards." No details have yet been released.

No Active Pursuit of Trade Action

According to Canadian apple industry organizations, there is no active pursuit of trade action against U.S. fresh apples. However, low profitability and increasing market demand for imported apples tend to keep the issue of safeguard action close to the forefront among Canadian apple growers. Canada has not had a trade action against U.S. apples since 2000. In February that year, the Canadian International Trade Tribunal (CITT) rescinded the anti-dumping duties on U.S. Red Delicious apples that had been in effect since 1989. The initial case was allowed to expire in early 1994 but the GOC responded with a new anti-dumping investigation, which resulted in the renewed application of anti-dumping duties that ran until the CITT decision of 2000.